

**BALLARD
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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BALLARD COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2009 Election)

Jean Saveraid	President	2009
Joyce Peterson	Vice President	2011
Kirk Peterson		2011
Tim Erickson		2011
David Jackson		2009

(After September 2009 Election)

Jean Saveraid	President	2013
Joyce Peterson	Vice President	2011
Kirk Peterson		2011
Tim Erickson		2011
David Jackson		2013

School Officials

John Speer	Superintendent
Janice Halverson	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Ballard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Ballard Community School District, Huxley Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

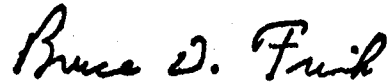
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Ballard Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2011 on our consideration of Ballard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ballard Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

February 17, 2011

BALLARD COMMUNITY SCHOOL DISTRICT
Management's Discussion and Analysis

Ballard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,533,023 in fiscal 2009 to \$12,645,495 in fiscal 2010, (a one percent increase) while General Fund expenditures increased from \$12,337,199 in fiscal 2009 to \$12,515,095 in fiscal 2010 (a one percent increase).
- The increase in General Fund revenues was primarily attributable to increases in state and federal revenues. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance increased due to additional funding for the increased enrollment and the cash reserve levy.
- The statewide sales, services and use tax is being used for improvements to existing facilities and construction of new facilities. This tax allows the District to update its facilities for an expanding enrollment without raising property taxes.
- The District began construction of a new high school facility.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Ballard Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Ballard Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Ballard Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and fiduciary funds as well as a multiyear comparison of revenues and expenses. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Ballard Community School District Annual Financial Report

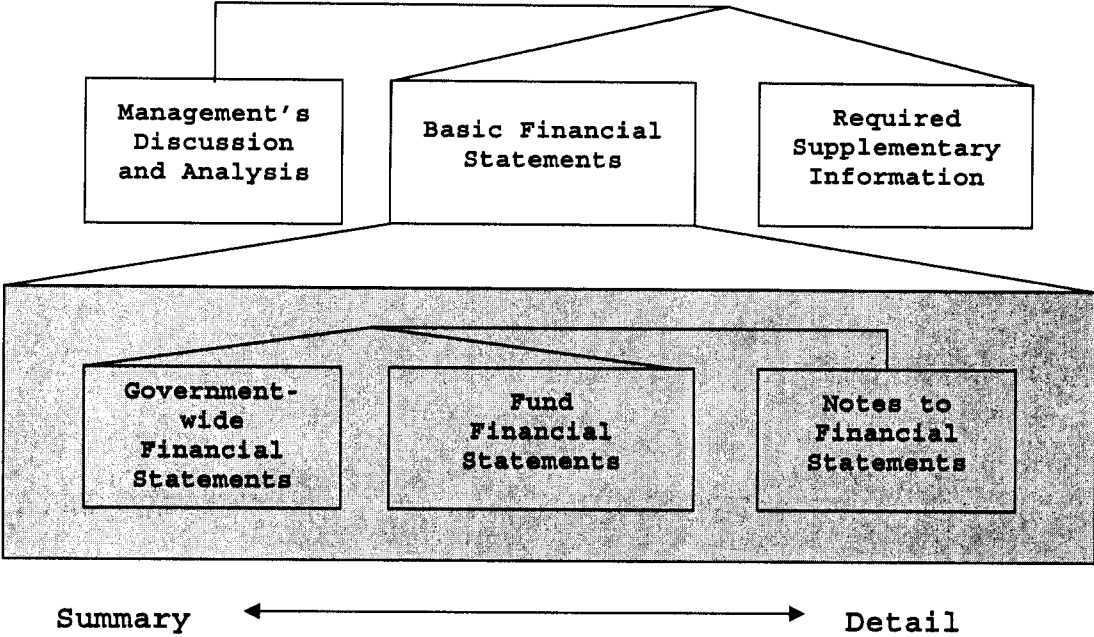


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as community groups
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" funds for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others.

- *Agency Funds* - These are funds through which the District administers and accounts for certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to June 30, 2009.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current assets	\$ 21,748	12,701	85	58	21,833	12,759	41.56%
Capital assets	20,807	13,164	27	17	20,834	13,181	36.73%
Total assets	42,555	25,865	112	75	42,667	25,940	39.20%
Current liabilities	8,900	9,677	15	13	8,915	9,690	-8.69%
Non-current liabilities	22,663	6,263	-	-	22,663	6,263	72.36%
Total liabilities	31,563	15,940	15	13	31,578	15,953	49.48%
Net Assets							
Invested in capital assets, net of related debt	8,538	7,198	27	17	8,565	7,215	15.76%
Restricted	3,109	3,315	-	-	3,109	3,315	-6.63%
Unrestricted	(655)	(588)	70	45	(585)	(543)	-7.18%
Total net assets	\$ 10,992	9,925	97	62	11,089	9,987	9.94%

Combined net assets grew as a result of the District's investment in capital assets as well as an increase in the General Fund. The District has taken advantage of the statewide sales, services and use taxes to expand its facilities in recent years. Funding trails growth by a year and creates a strain on the General Fund budget. This delay in funding is part of the reason that the cash reserve levy is necessary.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service and sales	\$ 866	858	468	483	1,334	1,341	-0.52%
Operating grants, contributions and restricted interest	2,865	2,247	227	186	3,092	2,433	27.09%
General revenues:							
Property tax	5,129	4,301	-	-	5,129	4,301	19.25%
Income surtax	155	264	-	-	155	264	100.00%
Statewide sales, services and use tax	1,428	1,452	-	-	1,428	1,452	-1.65%
Unrestricted state grants	5,890	6,424	-	-	5,890	6,424	-8.31%
Unrestricted investment earnings	1	46	-	-	1	46	-97.83%
Other	33	5	-	-	33	5	560.00%
Total revenues	<u>16,367</u>	<u>15,597</u>	<u>695</u>	<u>669</u>	<u>17,062</u>	<u>16,266</u>	<u>4.89%</u>
Program expenses:							
Governmental activities:							
Instruction	8,896	8,556	-	-	8,896	8,556	3.97%
Support Services	3,887	3,056	-	-	3,887	3,056	27.19%
Non-instructional programs	3	3	660	658	663	661	0.30%
Other expenses	<u>4,345</u>	<u>1,565</u>	<u>-</u>	<u>-</u>	<u>4,345</u>	<u>1,565</u>	<u>177.64%</u>
Total expenses	<u>17,131</u>	<u>13,180</u>	<u>660</u>	<u>658</u>	<u>17,791</u>	<u>13,838</u>	<u>28.57%</u>
Change in net assets	<u>\$ (764)</u>	<u>2,417</u>	<u>35</u>	<u>11</u>	<u>(729)</u>	<u>2,428</u>	<u>-130.02%</u>

Property tax and unrestricted state grants account for 65% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 72% of the total expenses. In a normal year instruction costs would be a higher percentage, but the District is experiencing increased costs due to construction projects. Spending on direct classroom instruction increased 4% in FY10.

Governmental Activities

Revenues for governmental activities were \$16,367,048 and expenses were \$17,131,085 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	8,896	8,556	3.97%	5,788	6,026	-3.95%
Support services	3,887	3,056	27.19%	3,859	3,034	27.19%
Non-instructional programs	3	3	0.00%	3	3	0.00%
Other expenses	4,345	1,565	177.64%	3,750	1,012	270.55%
Totals	\$ 17,131	13,180	29.98%	13,400	10,075	33.00%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$866,304.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,810,490. Federal revenues increased as part of the Recovery Act, but failed to fully offset state aid cuts.
- The net cost of governmental activities was financed with \$5,127,821 in property tax (due to the voter approved debt service levy), and \$5,890,451 in state foundation aid (an 8% decrease, approximately \$530,000).

Business-Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$695,232 and expenses totaled \$660,368. The District's sole business type activity is the School Nutrition Fund. Revenues of this activity are comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Ballard Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$13,051,095, a \$10 million increase over last year's ending fund balances of \$2,916,308. The primary reason was borrowing \$22.3 million of capital projects funds that will be spent primarily in fiscal 2011. 2011 will show a huge decrease as the high school building project is completed.

Governmental Fund Highlights

- The District's General Fund balance increased as a result of increased enrollment and cash reserve levies. Allowable growth in recent years has been inadequate to keep up with increasing enrollment requirements.
- A 10% state aid cut was a major setback to the General Fund. Midyear cuts are especially trying since the District cannot easily cut costs once the year has begun.
- The District continues to expand its facilities to meet the expanding enrollment primarily through the use of statewide sales, services and use tax revenues.
- The District's resident enrollment and open enrollment has continued to increase. This will allow the District to continue to grow; however, funding follows expenditures by a full year in many cases.

Proprietary Fund Highlights

The School Nutrition fund increased during the year by 56%. The District has continued its agreement with Taher Inc. to manage the nutrition program.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 37 and 38. The District did not exceed its General Fund unspent authorized budget.

Legal Budgetary Highlights

The District's receipts were over \$972,000 less than budgeted receipts, a variance of 5%. The variance resulted from the District receiving less revenue than originally anticipated from state sources that was not fully offset by increased federal source revenues.

Total expenditures were less than budgeted, due primarily to the District's budget for the Capital Projects Fund. Timing of building costs was uncertain so additional was allowed. The project as a whole remains on budget. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The District amended its budget during the year due to additional building costs and increased enrollment.

The District did not exceed its budget in any of the four functions nor did it exceed its unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$20.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 58% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$726,517.

The original cost of the District's capital assets was \$28,720,476. Governmental funds account for \$28,657,879, with the remainder of \$62,597 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 643	610	-	-	643	610	5.41%
Construction in progress	8,896	866	-	-	8,896	866	100.00%
Site improvements	719	850	-	-	719	850	-15.41%
Buildings	9,891	10,246	-	-	9,891	10,246	-3.46%
Furniture and equipment	658	592	27	17	685	609	12.48%
Totals	\$ 20,807	13,164	27	17	20,834	13,181	58.06%

Long-Term Debt

At June 30, 2010, the District had over \$6.2 million in general obligation bonds, revenue bonds and other long-term debt outstanding. This represents an increase of approximately 30% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Notes 4 and 11 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$ 10,065	905	1112.15%
GO bond anticipation	-	2,500	-100.00%
Early retirement	-	298	-100.00%
Revenue bonds	12,300	2,560	480.47%
Total	\$ 22,365	6,263	357.10%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The statewide sales, services and use tax is being used for various building/remodeling projects and property tax relief throughout the District.
- The District has experienced increasing enrollment the past several years. This has caused short-term cash flow problems, as funding follows enrollment, not precedes it.
- The State of Iowa enacted a 10% across the board cut in state funding. This, coupled with inadequate allowable growth, will hamper the District's efforts to attain a strong General Fund position.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).

- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janice Halverson, District Secretary, Ballard Community School District, 602 N Main, PO Box 307, Huxley, IA 50124.

Basic Financial Statements

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 15,873,246	76,571	15,949,817
Receivables:			
Property tax:			
Current year	46,320	-	46,320
Succeeding year	5,344,214	-	5,344,214
Income surtax - succeeding year	139,291	-	139,291
Due from other governments	181,776	-	181,776
Other receivables	74,049	2,596	76,645
Inventories	-	6,332	6,332
Prepaid expenses	88,386	-	88,386
Capital assets, net of accumulated depreciation	20,806,862	26,955	20,833,817
Total assets	42,554,144	112,454	42,666,598
Liabilities			
Accounts payable	1,857,434	15,210	1,872,644
Accrued payroll and benefits	1,248,083	-	1,248,083
Accrued interest payable	343,015	-	343,015
ISCAP accrued interest payable	16,764	-	16,764
Deferred revenue:			
Succeeding year property tax	5,344,214	-	5,344,214
Federal programs	90,401	-	90,401
Long term liabilities:			
Portion due within one year:			
Early retirement	122,239	-	122,239
General obligation bonds	565,000	-	565,000
Revenue bonds	660,000	-	660,000
Portion due after one year:			
Early retirement	206,252	-	206,252
General obligation bonds	9,500,000	-	9,500,000
Revenue bonds	11,640,000	-	11,640,000
Total liabilities	31,593,402	15,210	31,608,612
Net Assets			
Invested in capital assets, net of related debt	8,537,842	26,955	8,564,797
Restricted for:			
Debt service	103,955	-	103,955
Capital projects	2,192,234	-	2,192,234
Physical plant and equipment	375,843	-	375,843
Management levy	212,499	-	212,499
Categorical funding	136,292	-	136,292
Prepaid expenses	88,386	-	88,386
Unrestricted	(686,309)	70,289	(616,020)
Total net assets	\$ 10,960,742	97,244	11,057,986

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 8,926,765	866,226	2,241,393	(5,819,146)	-	(5,819,146)
Support services:						
Student services	392,979	-	-	(392,979)	-	(392,979)
Instructional staff services	415,791	-	-	(415,791)	-	(415,791)
Administration services	1,397,948	-	-	(1,397,948)	-	(1,397,948)
Operation and maintenance of plant services	1,081,806	-	28,013	(1,053,793)	-	(1,053,793)
Transportation services	537,198	78	-	(537,120)	-	(537,120)
	3,825,722	78	28,013	(3,797,631)	-	(3,797,631)
Non-instructional programs	2,951	-	-	(2,951)	-	(2,951)
Other expenditures:						
Facilities acquisition	609,033	-	37,916	(571,117)	-	(571,117)
Interest on long-term debt	691,028	-	3,266	(687,762)	-	(687,762)
AEA flowthrough	554,040	-	554,040	-	-	-
Depreciation (unallocated) *	721,795	-	-	(721,795)	-	(721,795)
	2,575,896	-	595,222	(1,980,674)	-	(1,980,674)
Total governmental activities	15,331,334	866,304	2,864,628	(11,600,402)	-	(11,600,402)

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	660,368	468,511	226,721	-	34,864	34,864
Total	<u>\$ 15,991,702</u>	<u>1,334,815</u>	<u>3,091,349</u>	<u>(11,600,402)</u>	<u>34,864</u>	<u>(11,565,538)</u>
General Revenues:						
Property tax levied for:				\$ 3,423,205	-	3,423,205
General purposes				281,721	-	281,721
Management Fund				316,464	-	316,464
Capital outlay				1,106,431	-	1,106,431
Debt service				155,177	-	155,177
Income surtax - PPEL fund				1,428,201	-	1,428,201
Statewide sales, services and use tax				5,890,459	-	5,890,459
Unrestricted state grants				1,221	-	1,221
Unrestricted investment earnings				33,237	-	33,237
Other						
Total general revenues			1,035,714	12,636,116	-	12,636,116
Change in net assets					34,864	1,070,578
Net assets beginning of year					62,380	9,987,408
Net assets end of year			10,960,742	\$ 10,960,742	97,244	11,057,986

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Assets							
Cash and pooled investments	\$ 1,157,958	175,967	209,996	233,572	14,002,216	93,537	15,873,246
Receivables:							
Property tax:							
Current year	30,419	-	2,503	2,980	-	10,418	46,320
Succeeding year	3,560,423	-	306,737	334,059	-	1,142,995	5,344,214
Income surtax - succeeding year	-	-	-	139,291	-	-	139,291
Due from other governments	65,280	-	-	-	116,496	-	181,776
Other receivables	74,049	-	-	-	-	-	74,049
Prepaid expenses	88,386	-	-	-	-	-	88,386
Total assets	<u>\$ 4,976,515</u>	<u>175,967</u>	<u>519,236</u>	<u>709,902</u>	<u>14,118,712</u>	<u>1,246,950</u>	<u>21,747,282</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 25,363	1,573	-	-	1,830,498	-	1,857,434
Accrued payroll and benefits	1,248,083	-	-	-	-	-	1,248,083
ISCAP accrued interest payable	16,764	-	-	-	-	-	16,764
Deferred revenue:							
Succeeding year property tax	3,560,423	-	306,737	334,059	-	1,142,995	5,344,214
Succeeding year income surtax	-	-	-	139,291	-	-	139,291
Federal programs	90,401	-	-	-	-	-	90,401
Total liabilities	<u>4,941,034</u>	<u>1,573</u>	<u>306,737</u>	<u>473,350</u>	<u>1,830,498</u>	<u>1,142,995</u>	<u>8,696,187</u>

BALLARD COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Fund balances:							
Reserved for:							
Categorical funding	136,292	-	-	-	-	-	136,292
Debt service	-	-	-	-	-	103,955	103,955
Prepaid expenses	88,386	-	-	-	-	-	88,386
Unreserved, reported in:							
Capital projects	-	-	-	-	12,288,214	-	12,288,214
Special revenue funds	-	174,394	212,499	236,552	-	-	623,445
General fund, designated	32,487	-	-	-	-	-	32,487
General fund, undesignated	(221,684)	-	-	-	-	-	(221,684)
Total fund balances	35,481	174,394	212,499	236,552	12,288,214	103,955	13,051,095
Total liabilities and fund balances	\$ 4,976,515	175,967	519,236	709,902	14,118,712	1,246,950	21,747,282

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2010

Total fund balances of governmental funds (Exhibit C)		\$ 13,051,095
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Income surtax receivable at June 30, 2010 is not recognized as income until received in the governmental funds, however it is included as a receivable in the Statement of Net Assets.		139,291
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		20,806,862
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(343,015)
Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Early retirement	(328,491)	
General obligation bonds	(10,065,000)	
Revenue bonds	<u>(12,300,000)</u>	<u>(22,693,491)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 10,960,742</u>

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 3,423,205	-	281,721	456,470	1,428,201	1,106,431	6,696,028
Tuition	866,226	-	-	-	-	-	866,226
Other	101,762	364,264	26,497	1,273	37,916	2,822	534,534
State sources	7,306,044	-	116	127	-	444	7,306,731
Federal sources	948,258	-	-	-	-	-	948,258
Total revenues	12,645,495	364,264	308,334	457,870	1,466,117	1,109,697	16,351,777
Expenditures:							
Instruction	8,429,804	350,338	115,876	-	-	-	8,896,018
Support services:							
Student services	392,015	-	964	-	-	-	392,979
Instructional staff services	470,903	1,641	4,276	54,054	-	-	530,874
Administration services	1,170,260	-	17,552	72,588	136,623	925	1,397,948
Operation and maintenance of plant services	999,543	-	82,263	-	-	-	1,081,806
Transportation services	495,579	-	41,619	125,000	-	-	662,198
	3,528,300	1,641	146,674	251,642	136,623	925	4,065,805
Non-instructional programs:							
Community service and education	2,951	-	-	-	-	-	2,951
Other expenditures:							
Facilities acquisition and construction services	-	-	-	18,010	8,716,106	-	8,734,116
Principal on long-term debt	-	-	-	-	-	5,900,000	5,900,000
Interest on long-term debt	-	-	-	-	-	364,160	364,160
AEA flowthrough	554,040	-	-	-	-	-	554,040
	554,040	-	-	18,010	8,716,106	6,264,160	15,552,316
Total expenditures	12,515,095	351,979	262,550	269,652	8,852,729	6,265,085	28,517,090

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Excess (deficiency) of revenues over (under) expenditures	130,400	12,285	45,784	188,218	(7,386,612)	(5,155,388)	(12,165,313)
Other financing sources (uses):							
Proceeds of long-term debt	-	-	-	-	22,300,000	-	22,300,000
Sale of equipment	100	-	-	-	-	-	100
Operating transfers in	-	-	-	-	-	5,162,117	5,162,117
Operating transfers out	-	-	-	-	(5,162,117)	-	(5,162,117)
Total other financing sources (uses)	100	-	-	-	17,137,883	5,162,117	22,300,100
Net change in fund balances	130,500	12,285	45,784	188,218	9,751,271	6,729	10,134,787
Fund balances beginning of year	(95,019)	162,109	166,715	48,334	2,536,943	97,226	2,916,308
Fund balances end of year	\$ 35,481	174,394	212,499	236,552	12,288,214	103,955	13,051,095

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) \$ 10,134,787

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities

This represents the change in income surtax receivable from FY09 to FY10 15,171

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 8,365,166	
Depreciation expense	<u>(721,795)</u>	7,643,371

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(22,300,000)	
Repayments	<u>5,900,000</u>	(16,400,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is reported as an expenditure in the funds when due. In the Statement of Activities, interest expense is recorded as the interest accrues, regardless of when it is due.

(326,868)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>(30,747)</u>
------------------	--	-----------------

Change in net assets of governmental activities (Exhibit B) \$ 1,035,714

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ <u>468,511</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	206,414
Benefits	62,734
Services	64,238
Supplies	322,260
Depreciation	<u>4,722</u>
Total operating expenses	<u>660,368</u>
Operating (loss)	<u>(191,857)</u>
Non-operating revenues:	
Interest on investments	53
State sources	6,352
Federal sources	<u>220,316</u>
	<u>226,721</u>
Change in net assets	34,864
Net assets beginning of year	<u>62,380</u>
Net assets end of year	<u>\$ 97,244</u>

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 465,915
Cash payments to employees for services	(269,148)
Cash payments to suppliers for goods or services	(344,030)
Net cash (used by) operating activities	<u>(147,263)</u>
Cash flows from non-capital financing activities:	
State grants received	6,352
Federal grants received	180,437
Net cash provided by non-capital financing activities	<u>186,789</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(14,267)
Cash flows from investing activities:	
Interest on investments	<u>53</u>
Net increase in cash and cash equivalents	25,312
Cash and cash equivalents beginning of year	<u>51,259</u>
Cash and cash equivalents end of year	<u>\$ 76,571</u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (191,857)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Depreciation	4,722
Commodities used	39,879
Decrease in other receivables	(2,596)
Decrease in inventory	437
Increase in accounts payable	2,152
	<u>\$ (147,263)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at \$39,879.

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	<u>Agency</u>
Assets	
Cash	\$ 4,189
Total assets	<u>4,189</u>
Liabilities	
Other payables	<u>4,189</u>
Total liabilities	<u>4,189</u>
Net assets	<u>\$ -</u>

See notes to financial statements.

BALLARD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Ballard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Huxley, Slater, Cambridge and Kelley, Iowa, and agricultural area in Story, Polk and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Ballard Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Ballard Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund (by District election):

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2010.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ending June 30, 2010, expenditures did not exceed the amended budget amounts in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,687,858 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa School Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 610,247	32,533	-	642,780
Construction in progress	865,665	8,030,498	-	8,896,163
	<u>1,475,912</u>	<u>8,063,031</u>	<u>-</u>	<u>9,538,943</u>
Capital assets being depreciated:				
Buildings	15,008,712	14,526	-	15,023,238
Improvements other than buildings	1,670,852	47,526	-	1,718,378
Furniture and Equipment	2,563,556	240,083	426,319	2,377,320
Total capital assets being depreciated	<u>19,243,120</u>	<u>302,135</u>	<u>426,319</u>	<u>19,118,936</u>
Less accumulated depreciation for:				
Buildings	4,762,884	369,937	-	5,132,821
Improvements other than buildings	820,809	178,259	-	999,068
Furniture and Equipment	1,971,848	173,599	426,319	1,719,128
Total accumulated depreciation	<u>7,555,541</u>	<u>721,795</u>	<u>426,319</u>	<u>7,851,017</u>
Total capital assets being depreciated, net	<u>11,687,579</u>	<u>(419,660)</u>	<u>-</u>	<u>11,267,919</u>
Governmental activities, capital assets, net	<u>\$ 13,163,491</u>	<u>7,643,371</u>	<u>-</u>	<u>20,806,862</u>
Business type activities:				
Furniture and equipment	\$ 48,330	14,267	-	62,597
Less accumulated depreciation	<u>30,920</u>	<u>4,722</u>	<u>-</u>	<u>35,642</u>
Business type activities capital assets, net	<u>\$ 17,410</u>	<u>9,545</u>	<u>-</u>	<u>26,955</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>\$ 721,795</u>
Business Type activities:				
Food service operations				<u>\$ 4,722</u>

(4) General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refinancing Bond Issue of January 1, 1998			Bond Issue of November 24, 2009			
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Total
2011	5.10%	\$465,000	23,715	3.25%	100,000	402,605	991,320
2012	-	-	-	3.25	290,000	399,355	689,355
2013	-	-	-	3.50	335,000	389,930	724,930
2014	-	-	-	3.50	360,000	378,205	738,205
2015	-	-	-	3.50	380,000	365,605	745,605
2016-2020	-	-	-	3.90-4.00	2,250,000	1,591,325	3,841,325
2021-2025	-	-	-	4.00-4.35	2,965,000	1,084,398	4,049,398
2021-2023	-	-	-	4.50-5.00	2,920,000	358,862	3,278,862
Total		<u>\$465,000</u>	<u>23,715</u>		<u>9,600,000</u>	<u>4,970,285</u>	<u>15,059,000</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year
GO Bond Anticipation Notes	\$2,500,000	-	2,500,000	-
Early Retirement	297,744	124,993	94,246	328,491
General Obligation Bonds	905,000	10,000,000	840,000	10,065,000
Revenue Bonds	<u>2,560,000</u>	<u>12,300,000</u>	<u>2,560,000</u>	<u>12,300,000</u>
Total	<u>\$6,262,744</u>	<u>22,424,993</u>	<u>5,994,246</u>	<u>22,693,491</u>

(6) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010.

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Payable
2009-10A	6/25/09	6/23/10	\$ -	2,000,000	2,000,000	-	16,764
2009-10B	2/01/10	1/21/11	-	-	-	-	-
Total			<u>\$ -</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>16,764</u>

During the year ended June 30, 2010, the District paid \$60,238 of interest on the ISCAP warrants.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members were required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$545,757, \$483,870, and \$405,580 respectively, equal to the required contributions for each year.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$554,040 for year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Early Retirement

The District offered an early retirement program to all employees who were employed at least 30 hours per week on a regular contract during the 2006-2007 contract year, were 55 years of age as of June 30, 2010 and had been employed by the District for at least fifteen consecutive years. Early retirement benefits are comprised of thirty percent of the 2006-2007 regular salary plus a per diem of \$100 for licensed employees or \$50 for support staff employees for each day of unused sick leave up to a maximum of 125 days. Benefits will be paid in three annual payments beginning in January, 2008. Early retirement benefits paid during the year ended June 30, 2010 totaled \$103,717. A long-term liability has been recorded in the Statement of Net Assets representing the District's commitment to fund early retirement.

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Revenue Bonds Payable

Details of the District's June 30, 2010 Statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December 1, 2009			
	Interest Rate	Interest	Principal	Total
2011	3.00%	\$ 660,000	571,553	1,231,553
2012	3.00	675,000	517,688	1,192,688
2013	3.00	695,000	497,662	1,192,662
2014	3.00	500,000	477,113	977,113
2015	3.50	460,000	459,187	919,187
2016-2020	4.00	2,560,000	2,029,288	4,589,288
2021-2025	4.00-5.00	3,160,000	1,452,131	4,612,131
2026-2030	5.00	3,590,000	612,900	4,202,900
Total		\$12,300,000	6,617,522	18,917,522

The District has pledged future statewide sales, services and use tax revenues to repay the \$12,300,000 bonds issued in December, 2009. The bonds were issued for the purpose of financing a portion of the costs of a new high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$18,917,522. For the current year \$2,621,417 of principal and interest was paid on previously outstanding bonds and total statewide sales, services use tax revenues were \$1,428,201.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$1,177,445 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District was in full compliance with all of the revenue bond provisions during the year ended June 30, 2010. The required reserve account was established by the District and had a balance of \$1,177,445 at June 30, 2010.

(12) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 127 active and 15 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 80,139
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	80,139
Contributions made	(80,139)
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	\$ -

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$80,139	100%	\$ -

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$660,224, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$660,224. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,391,000 and the ratio of the UAAL to covered payroll was 7.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the prior district experience.

Projected claim costs of the medical plan are \$365 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(13) **Construction Commitment**

The District has entered into a contract totaling \$19,951,148 for the construction of a new high school and a remodeling project. As of June 30, 2010, costs of \$7,974,078 had been incurred against the contract. The balance of \$11,977,070 remaining at June 30, 2010 will be paid as work on the projects progress.

(14) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$5,162,117</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

BALLARD COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts	Final to Actual Variance
	Actual	Actual		Original Final	
Revenues:					
Local sources	\$ 8,096,788	468,564	8,565,352	8,832,778	(267,426)
State sources	7,306,731	6,352	7,313,083	8,816,249	(1,503,166)
Federal sources	948,258	220,316	1,168,574	370,000	798,574
Total revenues	<u>16,351,777</u>	<u>695,232</u>	<u>17,047,009</u>	<u>18,019,027</u>	<u>(972,018)</u>
Expenditures/expenses:					
Instruction	8,896,018	-	8,896,018	9,147,000	353,982
Support services	4,065,805	-	4,065,805	4,468,000	534,195
Non-instructional programs	2,951	660,368	663,319	665,500	36,681
Other expenditures	15,552,316	-	15,552,316	20,051,193	8,447,684
Total expenditures/expenses	<u>28,517,090</u>	<u>660,368</u>	<u>29,177,458</u>	<u>34,331,693</u>	<u>9,372,542</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(12,165,313)	34,864	(12,130,449)	(16,312,666)	8,400,524
Other financing sources (uses)	<u>22,300,100</u>	<u>-</u>	<u>22,300,100</u>	<u>9,897,330</u>	<u>12,402,770</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	10,134,787	34,864	10,169,651	(6,415,336)	20,803,294
Balance beginning of year	<u>2,916,308</u>	<u>62,380</u>	<u>2,978,688</u>	<u>16,757,967</u>	<u>(13,779,279)</u>
Balance end of year	<u>\$ 13,051,095</u>	<u>97,244</u>	<u>13,148,339</u>	<u>10,342,631</u>	<u>7,024,015</u>

See accompanying independent auditor's report.

BALLARD COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$4,218,307.

During the year ended June 30, 2010, expenditures did not exceed the amended budget amounts in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$660	\$660	0.0%	\$8,391	7.9%

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama/Speech	3,503	3,214	2,795	3,922
Vocal Music	5,949	64,061	62,653	7,357
Elementary Vocal	413	-	175	238
Instrumental Music	28,155	21,717	17,751	32,121
Music Account	(75)	6,440	6,465	(100)
Elementary Band	4,897	408	1,157	4,148
Drill Team	1,375	1,416	1,353	1,438
Yearbook	6,634	2,045	5,926	2,753
Elementary Activities	3,726	-	1,277	2,449
Gym Shoe Account	85	-	-	85
Jr/Sr High Activities	1,123	2,265	1,023	2,365
Pep Club	2,201	11,511	13,712	-
Spanish Club	3,811	120	289	3,642
SADD	770	19	-	789
Junior High Student Council	228	-	196	32
Senior High Student Council	779	5,666	4,892	1,553
National Honor Society	950	7,014	7,076	888
Conflict Managers	911	1,123	687	1,347
East Elementary Student Council	4,692	10,937	5,331	10,298
West Elementary Student Council	7,732	14,020	5,447	16,305
Class of 2009	516	-	516	-
Class of 2010	2,530	1,391	3,427	494
Class of 2011	562	17,766	15,172	3,156
Class of 2012	300	382	172	510
Class of 2013	142	34	20	156
Class of 2014	100	20	-	120
Class of 2015	-	50	-	50
Athletic Director	51,767	64,067	72,351	43,483
Boys Basketball	3,503	5,171	8,367	307
Football	2,683	26,477	19,957	9,203
Soccer	929	9,758	7,711	2,976
Baseball	490	8,333	14,192	(5,369)
Boys Track	856	11,106	3,262	8,700
Boys Tennis	336	479	876	(61)
Boys Golf	552	1,773	2,495	(170)
Wrestling	2,472	3,500	5,350	622
Girls Basketball	4,524	8,623	8,112	5,035
Volleyball	1,836	6,135	5,286	2,685
Girls Soccer	800	2,971	3,487	284
Girls Softball	3,286	4,650	11,423	(3,487)
Girls Track	1,323	11,722	3,044	10,001
Girls Tennis	324	1,385	2,240	(531)
Girls Golf	500	1,405	3,131	(1,226)
Concessions	276	25,090	19,540	5,826
Weight Program	3,643	-	3,643	-
Totals	162,109	364,264	351,979	174,394

See accompanying independent auditor's report.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2010

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Character Education Council	\$ 79	-	-	79
Clothes Pantry	188	7,391	7,579	-
GARP	-	1,975	378	1,597
East Elementary	706	229	32	903
Junior-Senior High	323	1,798	1,563	558
West Elementary	635	482	65	1,052
	<u>\$ 1,931</u>	<u>11,875</u>	<u>9,617</u>	<u>4,189</u>

See accompanying independent auditor's report.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax							
Tuition	\$ 6,696,028	\$ 5,891,714	5,329,018	4,879,386	4,627,185	4,598,049	4,251,051
Other	866,226	830,879	878,697	811,694	773,489	649,687	626,000
State sources	534,534	546,549	693,691	643,936	509,553	438,186	406,488
Federal sources	7,306,731	7,843,517	7,388,811	6,872,971	6,014,905	5,693,100	5,293,766
	948,258	363,330	184,504	177,730	219,892	184,202	171,237
Total	<u>\$ 16,351,777</u>	<u>\$ 15,475,989</u>	<u>14,474,721</u>	<u>13,385,717</u>	<u>12,145,024</u>	<u>11,563,224</u>	<u>10,748,542</u>
Expenditures:							
Instruction	\$ 8,896,018	\$ 8,617,706	7,884,661	7,577,797	7,030,787	6,610,369	6,320,785
Support services:							
Student	392,979	432,881	363,167	298,544	364,469	341,803	373,767
Instructional staff	530,874	600,766	505,584	389,501	594,030	451,892	378,918
Administration	1,397,948	1,300,294	1,454,255	1,310,795	1,103,129	834,437	833,022
Operation and maintenance of plant	1,081,806	1,102,680	1,040,844	983,383	1,070,935	1,006,349	890,347
Transportation	662,198	557,309	577,067	537,001	622,261	419,560	371,434
Non-instructional programs:							
Community service and education	2,951	3,091	4,730	2,776	5,224	4,199	6,528
Other expenditures:							
Facilities acquisition	8,734,116	2,217,070	766,441	177,431	1,767,109	1,555,035	2,131,283
Debt service:							
Principal	5,900,000	1,000,000	2,120,000	375,000	1,160,000	947,296	438,539
Interest and service charges	364,160	209,768	242,930	260,743	303,280	228,619	179,719
AEA flowthrough	554,040	485,745	442,195	407,705	362,333	344,575	337,192
Total	<u>\$ 28,517,090</u>	<u>\$ 16,527,310</u>	<u>15,401,874</u>	<u>12,320,676</u>	<u>14,383,557</u>	<u>12,744,134</u>	<u>12,261,534</u>

See accompanying independent auditor's report.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY10	\$ 23,542
Food Distribution (non-cash)	10.555	FY10	39,879
National School Lunch Program	10.555	FY10	156,895
			<u>220,316</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY10	72,188
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	15,960
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY10	661,722
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY10	2,951
Grants for Assessments and Related Activities	84.369	FY10	10,173
Improving Teacher Quality - States Grants	84.367	FY10	31,413
Vocational Education - Basic Grants to States	84.048	FY10	8,216
Heartland Area Education Agency 11			
Special Education - Grants to States (IDEA Part B)	84.027	FY10	72,161
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY10	73,276
Total			<u>\$ 1,168,376</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Ballard Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

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- Iowa Society of Certified Public Accountants

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- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of the
Ballard Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Ballard Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ballard Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Ballard Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ballard Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-10 to be significant deficiency.

Compliance and Other Matters

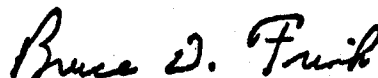
As part of obtaining reasonable assurance about whether Ballard Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ballard Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ballard Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ballard Community School District and other parties to whom Ballard Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ballard Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

February 17, 2011

BRUCE D. FRINK

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Ballard Community School District:

Compliance

We have audited the compliance of Ballard Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Ballard Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Ballard Community School District's management. Our responsibility is to express an opinion on Ballard Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ballard Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ballard Community School District's compliance with those requirements.

In our opinion Ballard Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of Ballard Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Ballard Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ballard Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Ballard Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ballard Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ballard Community School District and other parties to whom Ballard Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

February 17, 2011

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund Education (SFSF) - State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ballard Community School District did not qualify as a low-risk auditee.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-10 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:
(continued)

II-C-10 Financial Reporting

Comment - During the audit, we identified material amounts of payables in the Capital Projects Fund which were not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation - The District should implement procedures to ensure all payables are identified and included in the District's financial statements.

Response - We will double check these in the future to avoid missing any payables.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund Education (SFSF) - State Grants, Recovery Act

Federal Award Year: 2010

US Department of Education

Passed through Iowa Department of Education

III-A-10 Segregation of Duties - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response and Corrective Action Planned - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the amended certified budget amounts in any of the four functions.
- IV-B-10 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.
- IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-10 Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 Use of PPEL Funds - We noted that the District bought 10 computers at a total price of \$4,550 from the Physical Plant and Equipment Levy. Under Iowa Code Section 297.1 equipment items must exceed \$500 in order to qualify for purchase from this levy. As the computers were standalone units, and not part of a unit that requires all of them together in order to function, they do not appear to meet this requirement.
- Recommendation - We recommend that the District's General Fund reimburse the Physical Plant and Equipment Levy.
- Response and Corrective Action Planned - We will reimburse the Physical Plant and Equipment Levy.
- Conclusion - Response accepted.

BALLARD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

IV-M-10 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance	\$	-
Statewide sales, services and use tax revenue		1,428,201
Expenditures/transfers out:		
Debt service for school infrastructure:		
Revenue debt		<u>1,428,201</u>
Ending balance	\$	<u> -</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	<u>Per \$1,000 Of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt Service	<u>5.25</u>	<u>1,428,201</u>